

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4635-04  
Bill No.: Perfected HCS for HB Nos. 1179 & 1765  
Subject: Entertainment, Sports and Amusements; Manufactured Housing; Taxation and Revenue - Sales and Use  
Type: Original  
Date: April 8, 2014

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Bill Summary: This proposal would specify which places of amusement, entertainment, recreation, games, and athletic events must collect sales tax. In addition, this proposal would provide a sales tax exemption for used manufactured homes and a motor fuel tax exemption for motor fuel used in watercraft.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 15 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Conservation Commission	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Parks, and Soil and Water	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>(Less than \$516,667)</b>	<b>(Less than \$600,000)</b>	<b>(Less than \$600,000)</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

#### Section 144.010 RSMo. - Taxable sales on admissions:

Changes to the provisions in this legislation would specify which places of amusement, entertainment, recreation, games, and athletic events must collect sales tax. The proposal would only require sales tax to be charged and remitted for "places of dance, theater, orchestra and other performing arts productions, commercial sports, spectator sports, gambling, racetracks, arcades, theme and amusement parks, water parks, circuses, carnivals, festivals, air shows, museums, marinas, motion picture theaters, and other commercial attractions." All other sales of admission tickets, cash admissions, charges or fees to or in places of amusement, entertainment and recreation, games and athletic events would not be taxable.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in any additional costs or savings to their organization.

BAP officials assume this proposal would provide a specific list of taxable places of entertainment and recreation. Based on taxable sales data reported by DOR for 2012, this proposal may exclude taxable sales from Bowling and Billiard Establishments and Miscellaneous Amusements. In 2012, sales in those industry categories totaled \$720.5 million. This proposal could reduce Total State Revenues by these amounts, but losses could be higher if additional retail business categories are also excluded.

BAP officials provided a calculation of the sale tax revenue which would be foregone if the \$720.5 million in sales are exempted from tax when this proposal is implemented.

<u>Fund</u>	<u>Amount</u>
General Revenue	\$21,600,000
School District Trust	\$7,200,000
Conservation Commission	\$900,000
Parks, and Soil and Water	\$700,000
Total	<u>\$30,400,000</u>

ASSUMPTION (continued)

BAP officials also assume this proposal would impact the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assume this proposal would redefine which entities making sales at retail constitute a place of amusement, entertainment and recreation, or games and athletic events for sales and use tax purposes. Additionally, the legislation would provide a specific list of activities that define those sales.

Fiscal impact

DOR officials assume this proposal could reduce Total State Revenue by an estimated \$30.4 million annually by exempting those entities that do not fall within the definition of a place of amusement, entertainment or recreation, games, or athletic events.

Administrative impact

DOR officials assume Collections and Tax Assistance (CATA) would receive additional customer contacts but would handle these contacts with current staff. DOR officials would plan to cancel sales tax registration for currently registered businesses that no longer need to collect and remit sales tax.

DOR officials assume reports would need to be produced by ITSD-DOR to determine the number of registered businesses.

DOR officials assume Business Tax could have a reduction in the number of businesses registered.

In summary, DOR officials assume no additional staff would be required as a result of this legislation; however, the legislation may result in overtime required to adjust procedures and documents posted on the website.

Officials from the **City of Columbia** assume this proposal would result in a revenue reduction of approximately \$125,000 per year.

Officials from the **City of Kansas City** assume this proposal would result in a loss of sales tax revenues but stated they could not estimate the loss.

ASSUMPTION (continued)

Officials from the **St. Louis County Directors of Elections** assume the proposal would have no fiscal impact their organization.

**Oversight** notes this proposal would provide a sales and use tax exemption for certain businesses which are involved in activities that are subject to tax under current provisions. Oversight has no information as to the number of business nor the amount of sales which would be exempted by the proposal and we are concerned the estimates prepared by the Office of Administration - Division of Budget and Planning and the Department of Revenue may be based on exempting more business types than intended by the General Assembly.

**Oversight** will indicate a revenue reduction greater than \$100,000 for the General Revenue Fund, School District Trust Fund, Conservation Commission Fund, the Parks, and Soil and Water funds, and for local governments. The proposal would become effective in August, 2014 (FY 2015).

**Oversight** also notes that revenues in the School District Trust Fund are distributed, along with other revenues, to local school districts, but will not include those distributions in this fiscal note.

Not responding:

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following school districts: Blue Springs, Branson, Charleston R-I, Cole R-I, Columbia, Fair Grove, Francis Howell, Fulton, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kansas City, Kirksville, Kirbyville R-V , Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to our request for information.

Section 144.044, RSMo. - Sales Tax Exemption for Used Manufactured Homes

Changes to this provision would authorize an exemption from state and local sales taxes on a manufactured home which does not qualify as "new" as defined in state law.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Economic Development** and the **Joint Committee on Administrative Rules** assume there would be no fiscal impact to their respective organizations from this proposal.

Officials from the **Department of Revenue (DOR)** assume this proposal would have no fiscal impact on their organization but would reduce state revenues.

ASSUMPTION (continued)

DOR officials stated they collect sales tax on used manufactured homes which are moved in to Missouri from outside the state but were not able to provide information on amounts collected.

**Oversight** notes that DOR regulations require the payment of sales tax on a used manufactured home if sales tax was not paid on that home when it was new, but if sales tax was not paid on that manufactured home when it was new, sales tax is due on 100% of the used sales price. Oversight does not have any information as to the number or amount of transactions involved in used manufactured home sales and assumes this proposal would result in an unknown revenue reduction for the General Revenue Fund, other state funds that receive sales taxes, and for local governments for FY 2015, FY 2016, and FY 2017.

**Oversight** understands that sales tax revenues in the School District Trust Fund are distributed along with other revenues to local school districts but will not show those transfers in this fiscal note.

Amendments

Amendment 1 would further restrict the types of transactions which would be subject to sales tax on admission and entrance fees or charges.

**Oversight** assumes this amendment would result in a larger revenue reduction than would result from the underlying proposal but does not have any information as to the number of entities involved or the amount of sales that would be exempted from tax. Therefore, the impact of this proposal for fiscal note purposes would not change.

ASSUMPTION (continued)

Amendment 3 would exempt from the motor fuel tax all sales of motor fuel for use in watercraft.

Sections 142.815 and 144.030 RSMo - Motor Fuel and Sales Tax Exemptions

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** did not respond to our request for information for similar language in HB 1475 LR 4946-01; however, in response to HB 277 LR 0948-01 (2013) BAP officials assumed the proposal would not result in additional costs or savings to their organization.

BAP officials also noted the proposal would exempt motor fuel used in watercraft from the motor fuel excise tax, and the exemption could reduce motor fuel revenues to the extent consumers are not already claiming refunds for such tax from the DOR.

Officials from the **Department of Revenue (DOR)** did not respond to our request for information for similar language in HB 1475 LR 4946-01; however, in response to HB 277 LR 0948-01 (2013) DOR officials assumed the proposal would not result in any fiscal impact to their organization.

DOR officials noted that Section 142.815, RSMo, would exempt motor fuel delivered to any marina within this state that sells such fuel solely for use in a watercraft, and is not accessible to other motor vehicles, from the fuel tax.

DOR officials noted that any motor fuel distributor that delivered motor fuel to any marina in this state for use solely in watercraft could claim the exemption, and any motor fuel customer who purchased motor fuel for use in a watercraft at a location other than a marina could claim the exemption by filing a claim for refund of the fuel tax.

DOR officials also noted that Section 144.030, RSMo, would create a sales tax exemption for sales of motor fuel used in a watercraft.

DOR officials stated they currently distribute slightly more than \$500,000 per year to counties for unclaimed gallonage, and that current refunds of motor fuel tax subject to sales tax are less than \$10,000 per year.

ASSUMPTION (continued)

Officials from the **Department of Agriculture** and the **Missouri Highway Patrol** assumed there would be no fiscal impact to their respective organizations from similar language in HB 1475 LR 4946-01.

**Oversight** notes that under current provisions, the Department of Revenue refunds motor fuel tax paid on fuel for watercraft but collects sales tax on that fuel. When fuel is sold to a marina and the motor fuel tax is not refunded, that unclaimed motor fuel tax is distributed to counties. The proposal would make all of that fuel exempt from motor fuel tax and sales tax.

For fiscal note purposes, Oversight will indicate a sales tax revenue reduction of less than \$100,000 for the General Revenue Fund, for other state funds which receive general sales tax revenues, and for local governments. Oversight will also indicate a motor fuel tax revenue reduction of \$500,000 per year for counties, and \$416,667 for ten months in FY 2015.

**Oversight** assumes the State Road Fund would have no impact since the proposal changes the disposition of motor fuel tax that is not currently used for road purposes.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - DOR			
Sales tax exemption on admissions Section 144.010	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<u>Revenue reduction</u> - DOR			
Motor Fuel and Sales Tax Exemptions Sections 142.815 and 144.030	(Less than <u>\$100,000</u> )	(Less than <u>\$100,000</u> )	(Less than <u>\$100,000</u> )
<u>Revenue reduction</u> - DOR			
Sales tax exemption on used manufactured homes Section 144.044	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction</u> - DOR			
Sales tax exemption on admissions Section 144.010	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<u>Revenue reduction</u> - DOR			
Motor Fuel and Sales Tax Exemptions Sections 142.815 and 144.030	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Revenue reduction</u> - DOR			
Sales tax exemption on used manufactured homes Section 144.044	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>

**FISCAL IMPACT - State Government**  
**(Continued)**

FY 2015  
 (10 Mo.)

FY 2016

FY 2017

**CONSERVATION COMMISSION  
 FUND**

**Revenue reduction - DOR**

Sales tax exemption on admissions  
 Section 144.010

(More than  
 \$100,000)

(More than  
 \$100,000)

(More than  
 \$100,000)

**Revenue reduction - DOR**

Motor Fuel and Sales Tax Exemptions  
 Sections 142.815 and 144.030

(Less than  
 \$100,000)

(Less than  
 \$100,000)

(Less than  
 \$100,000)

**Revenue reduction - DOR**

Sales tax exemption on used  
 manufactured homes  
 Section 144.044

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON  
 CONSERVATION COMMISSION  
 FUND**

**(More than  
\$100,000)**

**(More than  
\$100,000)**

**(More than  
\$100,000)**

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>PARKS, AND SOIL AND WATER FUNDS</b>			
<u>Revenue reduction - DOR</u>			
Sales tax exemption on admissions Section 144.010	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<u>Revenue reduction - DOR</u>			
Motor Fuel and Sales Tax Exemptions Sections 142.815 and 144.030	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Revenue reduction - DOR</u>			
Sales tax exemption on used manufactured homes Section 144.044	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue reduction</u> - DOR			
Unclaimed Gallonage Distribution			
Section 142.815 RSMO -	(\$416,667)	(\$500,000)	(\$500,000)
<u>Revenue reduction</u> - DOR			
Sales tax exemption on admissions	(More than	(More than	(More than
Section 144.010	\$100,000)	\$100,000)	\$100,000)
<u>Revenue reduction</u> - DOR			
Motor Fuel and Sales Tax Exemptions	(Less than	(Less than	(Less than
Sections 142.815 and 144.030	\$100,000)	\$100,000)	\$100,000)
<u>Revenue reduction</u> - DOR			
Sales tax exemption on used			
manufactured homes			
Section 144.044	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON</b>	<b>(More than</b>	<b>(More than</b>	<b>(More than</b>
<b>LOCAL GOVERNMENTS</b>	<b><u>\$516,667</u></b>	<b><u>\$600,000</u></b>	<b><u>\$600,000</u></b>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses that previously collected or paid sales tax but may be exempted from that requirement.

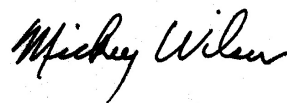
### FISCAL DESCRIPTION

This proposal would specify which places of amusement, entertainment, recreation, games, and athletic events must collect sales tax, would authorize a state and local sales and use tax exemption for the sale of used manufactured homes, and would authorize a motor fuel tax and sales tax exemption for motor fuel used in watercraft.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Revenue  
City of Columbia  
City of Kansas City  
St. Louis County Directors of Elections



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